

CLOSE-OUT PROCEDURES

HOPE VI REVITALIZATION GRANTS Revised as of November 24, 2009

Introduction

The following outlines the steps to be followed to officially close a HOPE VI Revitalization grant. Close-out means that: (1) no additional HOPE VI grant funds may be disbursed; (2) HUD has determined that the expenditure of HOPE VI grant funds was made for allowable activities; (3) activities undertaken with HOPE VI grant funds were completed as required by the HOPE VI Revitalization Grant Agreement and approved HOPE VI Revitalization Plan (RP); and (4) all Federal requirements were satisfied.

When may a HOPE VI Grantee close out a grant? A Grantee may begin the close-out process when all HOPE VI grant funds have been expended and all activities funded with HOPE VI grant funds have been completed. At that time, a Grantee may still be completing activities under the RP that are funded with non-HOPE VI grant funds. This may particularly be the case with those Grantees awarded HOPE VI grant funds for FY 2002 and fiscal years thereafter, as those have expenditure deadlines imposed by Congress.

If a Grantee has expended all HOPE VI grant funds, finished all HOPE VI grant-funded activities, including establishing via HUD approval a HOPE VI CSS Endowment Trust, then the Grantee may begin the close-out process. If a Grantee has a HUD-approved HOPE VI CSS Endowment Trust, those funds are considered expended once drawn down from LOCCS into the Endowment. Grantees must then follow the terms of their approved HOPE VI CSS Endowment Trust plan, which includes a HOPE VI CSS Endowment Trust Addendum to the HOPE VI Revitalization Grant Agreement. (Note: HOPE VI CSS Endowments can only be established for grants awarded for FY 2000 and fiscal years thereafter).

A Grantee needs to continue to report in the Grant Management System/Quarterly Report (GMS) until ALL activities in the approved RP (not just those that are funded by HOPE VI grant funds) are complete. All activities may be complete at the time all HOPE VI grant funds are expended. However, some activities, funded with leveraged funds, may continue for a period of time. HUD's preliminary close-out approval (Step 3) and final HOPE VI grant funding close-out approval (Step 5) will state whether the Grantee needs to continue to report in the GMS and what activities are incomplete and still need to be reported on.

STEP 1: Termination of Disbursements Letter and Preliminary Close-Out Materials

To begin the close-out process, within 90 calendar days after completion of all HOPE VI funded program activities and the expenditure of all HOPE VI grant funds, the Grantee must send a "Termination of Disbursements Letter" and "Preliminary Close Out Materials" to HUD's

Office of Public Housing Investments (OPHI). The letter and materials should be addressed to the Deputy Assistant Secretary, with a copy sent to the appropriate HOPE VI Grant Manager (the CSS Close-Out Report will be reviewed by the appropriate HOPE VI CSS Grant Manager). At OPHI's option, the Grantee may delay initiation of the close-out procedures until the resolution of any HUD monitoring findings. If OPHI exercises this option, the Grantee must promptly resolve the findings.

A. Termination of Disbursements Letter (see Attachment 1)

The Grantee must submit a Termination of Disbursements letter, which states that:

1. The Grantee has completed all activities to be performed using HOPE VI Revitalization grant funds;
2. All requirements of the Grant Agreement have been met (note this includes quarterly reporting requirements);
3. All obligated HOPE VI grant funds have been disbursed;
4. The Grantee will abide by any continuing Federal requirements; and
5. The Grantee will complete non-HOPE VI funded activities that are part of the approved RP and will continue to report in the HOPE VI Grants Management System/Quarterly Progress Report (GMS) until all revitalization activities have been completed.

B. Preliminary Close-Out Materials

The Grantee must submit the following Preliminary Close-Out Materials along with the Termination of Disbursements Letter:

1. Final HOPE VI Budget

The Grantee must submit a HOPE VI Budget (Form HUD-52825-A), executed by the Grantee's Executive Director, which shows all final expenditures for the HOPE VI grant by Budget Line Item (BLI). The budget should be marked "FINAL."

2. Financial Status Report (see Attachment 2)

The Grantee must submit a final Financial Status Report (Form SF-269A) that contains a cumulative summary of all expenditures and indicates the exact balance of unexpended funds, if any. The expenditure of grant funds must be in compliance with OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments.

3. Actual HOPE VI Cost Certificate (see Attachment 3)

The Grantee must submit an Actual HOPE VI Cost Certificate (AHCC) (Form HUD-53001-A.) This form summarizes the information on the Financial Status Report and serves as the document that officially closes out the grant in LOCCS. The AHCC must be signed by the Grantee's Executive Director on the line indicated.

4. Community and Supportive Services (CSS) Close-Out Report (see Attachment 4)

The Grantee must submit a CSS Close-Out Report. This report addresses the following CSS items: A) Final CSS Financial Report/Budget; B) Financial Matters at time of close-out; C) CSS Goals/Outcomes; D) Demographics of current population; E) Sustainability Strategy; and F) HOPE VI Evaluation.

Step 2: OPHI Review of Preliminary Close-Out Materials

Upon receipt of the required Termination of Disbursements Letter and Preliminary Close-Out Materials from the Grantee, OPHI will review the materials to assure compliance with the HOPE VI Revitalization Grant Agreement and the Close-Out Procedures for HOPE VI Revitalization Grants. The Grantee will be expected to cooperate with this review by making available any records requested by OPHI. OPHI shall review the materials to confirm that:

- A. The Termination of Disbursements Letter includes the statements required by Step 1.A above.
- B. The amounts on the final HOPE VI Budget and the AHCC agree as to funds approved, obligated, and expended. If necessary, adjustments will be made in LOCCS to reflect actual expenditures.
- C. The amount of funds approved and disbursed on the AHCC agrees with HUD records in LOCCS.
- D. If Line 1.E. of the AHCC indicates that HUD has disbursed more funds than the Grantee expended, then the Grantee will immediately remit to HUD the excess funds, without waiting for the final audit. If the amount to be returned is \$2,000 or less, the Grantee must prepare a check payable to HUD, note the Grant Number on the check, and mail the check to OPHI, to the attention of the appropriate HOPE VI Grant Manager. If the amount is over \$2,000, the Grantee must wire transfer the funds to HUD in accordance with instruction set forth in the Financial Management Handbook 7485.1, as revised. Prior to wiring, the Grantee should consult further with the appropriate HOPE VI Grant Manager for more specific instructions.
- E. The CSS Close-Out Report and CSS Close-Out Budget provided by the Grantee comply with the CSS Close-Out Report Instructions.

Step 3: Preliminary Close-Out Approval

When OPHI has determined that the amount of HOPE VI grant funds disbursed, obligated and expended are equal in LOCCS, and that the CSS Close-Out Report and CSS Close-Out Budget comply with the CSS Close-Out Report Instructions, OPHI shall:

- A. Approve the AHCC for final audit by having the OPHI Deputy Assistant Secretary sign the top line under the “For HUD Use Only” section of the AHCC.
- B. Approve the final HOPE VI Budget by signing the HUD-52825-A.
- C. Enter a Pre-Audit Date into LOCCS, which shall be the date on which OPHI first signed the AHCC and approved it for audit. This action will prevent any further disbursements from LOCCS.
- D. Send a Preliminary Close-Out Approval Letter (see Attachment 5) to the Grantee which does the following:
 - Transmits the original and preliminarily approved AHCC and the final HOPE VI Budget;
 - Indicates that the CSS Close-Out Report has been approved;
 - Indicates that the Grant has been preliminarily closed out;
 - Instructs the Grantee to proceed with the final audit; and
 - Indicates whether the Grantee needs to complete non-HOPE VI funded activities that are part of the approved RP and continue to report in GMS until all revitalization activities have been completed. At the time of Preliminary Close-Out Approval, activities/phases financed with non-HOPE VI and leveraged funds may still be under way and/or not yet begun, but all HOPE VI grant-funded activities are complete. HUD’s Preliminary Close-Out Approval Letter will outline which activities, if any, are still on-going and instruct the Grantee to continue to report on these activities in GMS. If all activities are complete per the RP, and not just HOPE VI grant-funded activities, this letter will inform the Grantee that they no longer need to report in GMS.
 - If all RP activities have been completed, the Grant Manager will need to confirm with the OUR GMS manager (currently Lar Gnessin) as to whether all information in GMS is complete. The OUR GMS manager will confirm with the GMS contractor whether all information is complete. Include the email confirming that no additional information is needed in GMS in your preliminary closeout package (New as of 11/5/09).

Step 4: Final Audit

Each Grantee is required to conduct an audit of the HOPE VI grant in accordance with the requirements of 24 CFR 85.26. The audit must be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. The audit may be conducted separately or as part of an agency-wide audit. However, if

conducted as part of an agency-wide audit, the HOPE VI portion of the audit must be reported separately. When contracting for an auditor, the Grantee should require that statements of actual HOPE VI costs, certified by the Grantee and submitted to HUD during the audit period, be included in the audit's scope and attached as supplemental information to the audit report. The Grantee must ensure that the auditor has the original AHCC for review. Unless the auditor states otherwise in the audit report, the Grantee certified costs will be considered acceptable by HUD.

The Grantee must submit a copy of the audit and the original AHCC previously signed by OPHI to the Director of Public Housing at the appropriate HUD Field Office. The HUD Field Office will review the audit report to determine if any findings have been identified with respect to the HOPE VI grant funds. The Field Office will notify OPHI of any identified findings. OPHI and the HUD Field Office will work with the Grantee to close the finding(s). If the audited AHCC indicates that HOPE VI grant funds were expended for ineligible activities or in inappropriate amounts, the Grantee may be required to return such funds to HUD in the manner prescribed in Step 2, Paragraph D, above.

Once the HUD Field Office has completed its review and any audit findings have been resolved, the HUD Field Office will sign the AHCC on line 2 under "For HUD Use Only" to certify that the audited costs agree with the costs shown on the AHCC. The original AHCC, along with a copy of the audit, should then be sent by the HUD Field Office to the appropriate OPHI HOPE VI Grant Manager.

Step 5: Final HOPE VI Grant Funding Close-Out Approval

When OPHI has received the final audit and original AHCC, and has determined that: 1) the expenditure of grant funds was allowable; 2) the activities to be completed using HOPE VI grant funds were completed as required by the Grant Agreement; and 3) all Federal requirements were satisfied during the implementation of those activities, the OPHI Deputy Assistant Secretary will sign the last line of the AHCC under "For HUD Use Only" to indicate final approval of the AHCC.

The Grant Manager should put together a package for DAS signature that contains the following:

- Final HOPE VI Grant Funding Close-Out Approval Letter to the Grantee (see Attachment 6) indicating that the HOPE VI- funded portion of the grant is closed;
- The original AHCC, to be signed by the DAS.

At the time of Final HOPE VI Grant Funding Close-out, activities/phases financed with non-HOPE VI and leveraged funds may still be under way and/or not yet begun, but all HOPE VI grant-funded activities are complete. If this is the case, the letter needs to indicate whether the Grantee needs to complete non-HOPE VI funded activities that are part of the approved RP and continue to report in GMS until all revitalization activities have been completed. HUD's Final HOPE VI Grant Funding Close-Out Approval Letter will outline which activities, if any, are still on-going and instruct the Grantee to continue to report on these activities in GMS. If all activities are now complete per the RP, and not just HOPE VI grant-

funded activities, this letter will inform the Grantee that they no longer need to report in GMS. As in Step 3(D), prior to finalizing the letter, confirm that all information has been provided in GMS and provide the email confirming this in your package.

In your final closeout approval package, please include a copy of the signed and dated preliminary closeout letter.

Once the DAS has signed the letter and the AHCC, the following should be sent out:

- Original signed letter and copy of the AHCC goes to the grantee.
- Copy of the letter and the AHCC goes to the FO and to the Grant Manager.
- The Grant Manager should make sure that the AHCC is sent to HUD's Office of Financing and Accounting (OFA) in Ft. Worth. The Grant Manager can either mail the original copy or send OFA a fax/scanned copy.
- If the original AHCC is not sent to OFA, it should be filed in the blue docket folder with the close out documents.

OFA will attach the AHCC to its copy of the Grant Agreement. The AHCC will amend the Grant Agreement in the event that the amount of HOPE VI grant funds actually expended on the project is less than the original amount of the HOPE VI Revitalization grant. Any funds remaining in the grant will be recaptured by HUD. Recaptured funds will automatically be reflected in BLI 9900, Post Audit Adjustment, once the grant is closed. OFA will enter a Post-Audit Date in LOCCS. The grant will then be officially closed as far as HUD's accounting systems are concerned.

Step 6: Final HOPE VI Revitalization Plan Close-Out Approval

If grant activities have continued following HUD's transmission of the Final HOPE VI Grant Funding Close-Out Approval Letter, the Grantee must inform HUD when **ALL** activities/phases authorized under the approved RP have been completed, including construction of all phases developed with non-HOPE VI grant funds. The Grant Manager will verify that all grant activities have been completed in accordance with the RP and confer with the GMS contractor that all required data has been correctly entered into the GMS (include email from GMS contractor in your package). Once this is verified, OPHI will send a Final HOPE VI Revitalization Plan Close-Out Approval Letter to the Grantee (see Attachment 7) stating that all activities/phases under the approved RP are complete, the Grant is considered closed out by OPHI, and that the Grantee may stop reporting into GMS.

In your package, include the signed and dated preliminary and final closeout letters previously sent to the grantee.

For further information on closing out a HOPE VI grant, contact the appropriate HOPE VI Grant Manager.